

Memorandum

To: Panel Members

From: Charles Rufo, Manager
Peter DeMauro, General Counsel

Subject: One-Step Agreement for **The Henry Wine Group**
(www.henrywinegroup.com)

Date: January 23, 2003

Analyst: K. Udarbe

CONTRACTOR:

- Training Project Profile: Retraining: Companies with Out-of-State Competition
SET Workers Earning at Least the State Average Hourly Wage
- Legislative Priorities: Stimulating Exports/Imports
- Type of Industry: Retail
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 235
 - In California: 215
- Fringe Benefits: No
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$43,446
- Substantial Contribution: \$0
- Total ETP Funding: \$43,446
- In-Kind Contribution: \$68,190
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Statewide
- Duration of Agreement: 24 Months

SUBCONTRACTORS:

Skill Soft, Inc., in Danville, California will provide computer-based training services and will be paid \$57,000 for these services during the 2003 to 2004 training program.

NARRATIVE:

The Henry Wine Group (THWG) is a division of Henry Company located in Los Angeles, California. THWG was established in 1985 with headquarters in Benicia, California. The company is a distributor and broker dedicated exclusively to fine wines. The company's internal corporate support functions in Benicia are eligible for standard retraining under Title 22, California Code of Regulations (CCR), Section 4416(d)(1). The remaining functional groups and locations are also included under the SET provisions specifically targeted for frontline workers earning at least the state average hourly wage outlined under CCR Section 4409.

THWG wants to firmly establish its expertise in fine wines and expand within the state and national markets. In 2002, the company expanded operations in Washington D.C. and Scottsdale, Arizona. In those locations, the company represents several California wine producers. THWG has 235 employees of which 215 are in California. About 100 of those employees are located in the company headquarters in Benicia. The other 115 employees are in sales, working in various territories throughout California. The Arizona and D.C. operations have 12 employees each.

THWG is involved solely in the marketing and distribution of premium wine. The company represents many smaller wineries in California that depend on the knowledge, skill, and effort of the sales force to compete with out-of-state producers and large spirits distributors. The company's competitive advantage is to create a professional, wine-knowledgeable sales force. To best develop the talents of this team and maintain this advantage, the company has placed an emphasis on training its centralized administrative support and field sales personnel.

The company's largest competitor is Southern Wines and Spirits, with headquarters in Miami, Florida. Southern's 2001 sales were over \$4 Billion. This multi-state company sells whiskey, gin, vodka, and other distilled spirits in addition to fine wines. Because of its wide market basket of goods, Southern can offer huge discounts on fine wines to customers who purchase other spirits.

Southern is a volume competitor that emphasizes big brands like Beringer Wine Estates, which is owned by Australian-based Fosters. These brands threaten the many boutique wineries in Napa, California, which are represented by THWG, such as Napa Wine Company, Saintsbury, and ZD Wines.

The company is currently investing in advanced computer technology for corporate headquarters and in the development of selling tools to improve the performance of its field sales force. With ETP funding support in the next two years, the company wants to provide quality-structured training to the personnel receiving this new technology and selling tools.

Computer Skills Training: The administrative skills development category is geared toward the adaptation and use of the latest software and hardware through desktop computing skills training.

NARRATIVE: (continued)

Currently, its information technology department is planning to convert computer users to the Windows XP operating system. The computer-based training method is suited to this process. Since the company has neither the budget, facility nor schedule flexibility to effectively train computer skills, the on-line option will allow participants to access the curriculum during work hours and provide the answers to their questions as needed. There will be electronic tracking of participation and the use of quiz screens to monitor the training. A classroom session will be given to the trainees in advance of each module to familiarize the participants with the training material.

Business Skills Training: To streamline the selling process and respond appropriately to the needs of its customers, a professional selling process was developed especially for the company by an outside consultant in 2002. The result of this effort is the THWG Sales Resource Guide. The Guide includes sections on sales presentations, sales techniques, and customer service. The company does not have the funding resources to provide training using this Guide.

With the prospect of ETP funding support, the company's human resources have developed a lesson plan for each chapter of the Resource Guide. The Regional Sales Managers can then effectively deliver the proposed curriculum after their participation in a "train-the-trainer" session.

Wine Education is another module of the proposed business skills training. Advanced wine education will give the California field sales team the opportunity to learn about wine from various wine-producing regions worldwide, understand the various styles, gain exposure to the language and learn proper pronunciation in order to respond promptly and appropriately to the needs of its customers.

Supplemental Nature of Training

The Henry Wine Group does not have an organized nor comprehensive approach to training its personnel. Nor does it have the budget to provide this training.

In the past, the company would occasionally send staff to attend seminars to learn Excel, PowerPoint, etc. These seminars were brief and introductory in content and did not provide the needed follow-up practice and advanced system usage. The company, however, is putting in place the technology and the tools to improve the overall competitiveness of the organization. THWG is currently investing in computer technology and is in the process of upgrading its operating system to Windows XP Professional. The company finds it essential that core corporate support personnel have the capacity to effectively apply this technology to provide the needed administrative support to its California field operations and its expanding operations in other states.

Wine knowledge currently relies on the sales personnel hired to bring knowledge into the company and through occasional lectures by the company's Wine Education Director. The proposed training will follow a set curriculum that is established by the Wine and Spirits Education Trust of London. Professional selling skills training has been done through the on-the-job "buddy system" with a manager working with a rep to make calls and show them how its done. The company recently developed a Sales Resource Guide and a Wine Education CD that are intended to serve as desktop reference toolkits for the field sales representatives. The new program has a set curriculum to be delivered in a classroom setting.

NARRATIVE: (continued)

With ETP funding support, the company will use a structured, formalized curriculum and be able to provide supplemental training to its headquarters personnel in the proper and optimal use of the latest office technology and ensure its field sales team has the skills and knowledge to compete in a highly competitive industry.

In-Kind Contribution

The Henry Wine Group's in-kind contribution is \$68,190 in wages paid to trainees during training.

COMMENTS:

THWG has certified in writing that all participants in this project meet the Panel definition of frontline workers under Title 22, California Code of Regulations, Section 4400(ee)(1,3). No senior level managers or executive staff who set company policy will be included as trainees.

PROPOSED ACTION:

Staff recommends that the Panel approve this Agreement if funding is available and the project meets Panel priorities. This recommendation is based on the company's need to strengthen corporate support functions in its headquarters located in California and to give emphasis to the product knowledge of a sales force promoting small wineries in California in comparison with larger distributors based out of state.

TRAINING PLAN:

Grp/Trainee Type	Types of Training	No. Retain	No. Class/Lab Videocnf. Hrs	No. CBT Hrs	No. SOST Hrs.	Cost per Trainee	Hourly Wage after 90 days
Job Number 1 Retrainees	Computer Skills	17	4	52	0	\$468	\$13.76 - \$41.82
Job Number 2 Retrainees SET Frontline	Business Skills	65	42	0	0	\$546	\$20.18-\$54.63
						<u>Range of Hourly Wages</u> \$13.76 - \$54.63	
						<u>Prevalent Hourly Wage</u> \$20.18	
						<u>Average Cost per Trainee</u> \$530	
<u>Health Benefit used to meet ETP minimum wage:</u> Although the employer pays health benefits for its employees, the hourly contribution is not being used to meet the ETP minimum wage requirements.						<u>Turnover Rate</u> 17%	<u>% of Mgrs & Supervisors to be trained:</u> 0 %

Class/Lab Hours

4 – 42

CBT (Job Number 1 Only)
52 Hours

Trainees will receive training in any of the following:

COMPUTER SKILLS (Job Number 1 Only)

Training participants in corporate support and administrative positions, as well as employees who use desktop and laptop computers will receive training in any of the following:

Microsoft Windows XP

Fundamentals – Beginning to Use

Fundamentals – Using the Internet

Microsoft Word 2002

Fundamentals

Templates, Styles, Graphics

Collaboration

Document Level Management

Customizing Word Elements

Microsoft Excel 2002

Beginning to Use Worksheets

Formulas, Formatting, Charts

Worksheets, Workbooks

Microsoft Power Point 2002

Creating Presentations

Adding Media to Presentations

Comprehensive: Animating, etc.

BUSINESS SKILLS (Job Number 2 Only)

The Henry Wine Group's Professional Selling Skills

- Prospecting and Making Appointments
- Pre-Call Planning
- The Qualification Process
- THWG Sales Presentation
- Handling Objections
- Closing and Gaining Commitment
- Professional Follow-Up
- Time Management
- Personal Action Planning

Advanced Wine Education

- Unbasic Wine Basics
- Factors Effective Taste and Quality
- Grape Varietals
- Vinification
- Tasting Techniques
- Staff Seminars (Customer Training)
- Customer Service

Wine Production, Varietals & Styles

- France
- Italy
- Germany
- Hungary
- Bulgaria
- Romania
- Slovenia
- Cyprus
- Spain
- Australia & New Zealand
- The Old World
- The New World
- Fortified Wine & Spirits